



Quarterly Financial Report

January to March 2007



EnBW Energie
Baden-Württemberg AG

At a glance

At a glance ¹		1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Revenue					
Electricity	€ millions	2,974.7	2,560.5	+16.2	9,642.3
Gas	€ millions	913.9	1,079.2	-15.3	2,757.9
Energy and environmental services	€ millions	167.6	89.1	+88.1	592.6
External revenue, total	€ millions	4,056.2	3,728.8	+8.8	12,992.8
EBITDA	€ millions	818.6	715.2	+14.5	2,297.6
EBIT	€ millions	629.9	558.2	+12.8	1,475.0
Result of continuing operations	€ millions	355.7	310.0	+14.7	996.6
Earnings per share from continuing operations	€	1.46	1.27	+15.0	4.08
Cash flow from operating activities	€ millions	299.5	90.2	+232.0	1,466.6
Free cash flow	€ millions	167.9	69.3	+142.3	1,027.1
Capital expenditures on intangible assets and property, plant and equipment	€ millions	158.5	75.7	+109.4	630.1
Energy sales of the EnBW group		1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Electricity	billions of kWh	35.5	34.4	+3.2	119.4
Gas	billions of kWh	27.4	36.3	-24.5	83.5
Employees of the EnBW group^{1,2}		3/31/2007	3/31/2006	Variance %	12/31/2006
Employees		21,399	17,594	+21.6	21,148

¹ The figures of the comparative periods have been adjusted.

² Number of employees without apprentices/trainees and without inactive employees.

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Important note

No offer or investment recommendation

This report has been prepared for information purposes only. It does not constitute an offer, an invitation or a recommendation to purchase or sell securities issued by EnBW Energie Baden-Württemberg AG ("EnBW"), a company of the EnBW group or any other company. This report does not constitute a request, instruction or recommendation to vote or give consent. All descriptions, examples and calculations are included in this report for illustration purposes only.

Future-oriented statements

This report contains future-oriented statements that are based on current assumptions, plans, estimates and forecasts of the management of EnBW. Such future-oriented statements are therefore only valid at the time at which they are published for the first time. Future-oriented statements are indicated by the context, but may also be identified by the use of the words "may", "will", "should", "plans", "intends", "expects", "believes", "assumes", "forecasts", "potentially" or "continued" and similar expressions.

By nature, future-oriented statements are subject to risks and uncertainties that cannot be controlled or accurately predicted by EnBW. Actual events, future results, the financial position, development or performance of EnBW and the companies of the EnBW group may therefore diverge considerably

from the future-oriented statements made in this report. Therefore it cannot be guaranteed nor can any liability be assumed otherwise that these future-oriented statements will prove complete, correct or precise or that expected and forecast results will actually occur in the future.

No obligation to update the information

EnBW assumes no obligation of any kind to update the information contained in this report or to adjust or update future-oriented statements to future events or developments.

This report can also be downloaded from the internet in German or English. In case of doubt the German version shall prevail.





Service connection: Connecting new houses to the electricity grid is part of the daily work of EnBW's electronics installers and electricians.



Transmission and distribution

EnBW has a grid of more than 160,000 km to transport electricity from power station to customer. The transmission network is designed for very high voltage, whereas the distribution network uses high, medium and low voltage.

The large power plants feed electricity into the European transmission network system at a very high voltage level of 380 kV or 220 kV. This high voltage has to be reduced for industrial and household use. This task is accomplished by substations which, in a first step, transform the very high voltage to high voltage of 110 kV and then feed the electricity into the cross-regional distribution network, which supplies large industrial plants and large public utilities.

The transformers of the high-voltage substations then reduce the voltage to medium voltage of 30 kV, 20 kV or 10 kV. In rural areas, the regional distribution network largely consists of overhead lines, while underground cables are used in urban regions. Medium-sized public utilities and industrial enterprises are supplied direct via this network. The electricity for households, agriculture and commercial businesses has to be transformed at substations to low voltage of 400 V before customers can use it at the mains.

The network-operating companies of the EnBW group in the electricity segment responsible for transmission and distribution are organised in accordance with the unbundling requirements of the German Energy Industry Act as independent network operators.



Top issues

January 2007

EnBW Kernkraft GmbH

On January 1, 2007, EnBW Kernkraft GmbH takes over the operation of the nuclear power stations in Neckarwestheim, Philippsburg and Obrigheim. The permits required by the German Atomic Power Act were issued by the Baden-Württemberg Ministry for the Environment at the end of November 2006.



Shares of regional suppliers

EnBW AG acquires shares in Erdgas Südwest GmbH (ESW), ENSO Energie Sachsen Ost GmbH (ENSO) and GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG (GSWK) from Thüga AG. The acquisition increases EnBW AG's indirect shareholding in ESW from 51% to 79%, in ENSO from 50.4% to 64.8% and in GSWK from 23.5% to 100%.

Rheinfelden run-of-the-river power plant

A small ground breaking celebration marks the official start of the construction of the powerhouse of the new Rheinfelden run-of-the-river power station. EnBW subsidiary Energiedienst Holding AG is the building principal.

Innovation prize

For the third time, EnBW sponsors the innovation prize of German industry in the start-up segment. Cytonet GmbH & Co. KG wins the prize for its development of a revolutionary drug made from living liver cells, the world's first alternative to a liver transplant. In the "large company" segment, EnBW

itself reaches the last round with its "EnBW EnyCity" project for an energy city of the future and is commended for the development of a comprehensive, modular planning system for the optimization of energy supply.



EnBW attends the World Economic Forum again

For the second time, EnBW takes part in the World Economic Forum in Davos and supports the dialogue of young global leaders of tomorrow.

EnBW joins Second Life

EnBW is the first energy service provider to use the virtual internet community "Second Life".

Low-price tariff for household customers

EnBW launches "EnBW AktivPrivat online" and offers its EnBW household customers one of the lowest tariffs in Baden-Württemberg.

More customers

The EnBW subsidiary Yello Strom GmbH increases its number of customers to 1.3 million despite fiercer competition on the German energy market.

Energy supply agreement signed

EnBW Vertriebs- und Servicegesellschaft GmbH and VW Kraftwerk GmbH conclude an extensive agreement for the energy supply of the Audi plants in Neckarsulm and Ingolstadt and the VW plants in Dresden and Zwickau.

Energy-efficient school

EnBW and the city of Stutensee successfully complete the modernisation of the school centre in Stutensee. The innovative cooperation model promises savings potential of around 80% for electricity and 20% for heating energy.



February 2007

Prof. Dr.-Ing. Hartkopf leaves EnBW

On February 8, 2007, Prof. Dr.-Ing. Thomas Hartkopf, Chief Technical Officer of EnBW, leaves the company of his own volition and on amicable terms. Hartkopf had been Chief Technical Officer of EnBW since November 2002. Until the appointment of a successor, the various responsibilities of the technical portfolio will be shared by the other members of the EnBW Board of Management from February 9, 2007.

Action of EnBW sustained

The Baden-Württemberg administrative court confirms its express decision of December 2006 and sustains the action of EnBW Kernkraft GmbH against a regulatory requirement imposed subsequently on the operation of units 1 and 2 of the Philippsburg nuclear power station. The regulatory requirement had been imposed in March 2005 by the Baden-Württemberg Ministry of Economics at the instruction of the Federal Ministry for the Environment.

Dispute about overhead line noise settled

Citizens of Grünkraut living in the direct vicinity of a 380 kV overhead line and EnBW reach agreements before the Stuttgart regional court which provide for retrofitting the lines in the areas affected by the end of 2008. Residents had filed an action against the noise made by the 380 kV overhead lines in certain weather conditions.

Career start with power

In early 2007, 164 young people successfully complete their training at EnBW; they are all offered employment agreements for at least twelve months. EnBW offers permanent positions to at least 20% of apprentices and trainees who successfully complete their training.

March 2007

Action filed

EnBW Kernkraft GmbH files an action against the Federal Ministry for the Environment with the Baden-Württemberg administrative court. The reason for the action is that the Federal Ministry for the Environment has not made a decision on the petition for the transfer of residual electricity quantities to the Neckarwestheim I nuclear power station. As the company sees no proper reason for the delay, the court has been called upon to take a decision on the petition.

Ratings confirmed

The rating agency Standard & Poor's confirms the long-term rating A- and the short-term rating A-2 of EnBW. The outlook is now "stable".

Best corporate investor 2007

The journal "portfolio institutionell" confers prizes for Germany's best investors in the portfolio institutionell Awards 2007. EnBW is awarded the title "Best Corporate Investor 2007".

Geothermal project in Bruchsal

In collaboration with Siemens as general contractor, EnBW wants to move forward with the geothermal project in Bruchsal and in the coming months will support the construction of the power plant for electricity generation.

Near-surface geothermal network

EnBW Regional AG and the municipality of March-Hugstetten sign an agreement for the construction and operation of a near-surface geothermal network in the new housing estate in Neumatten.

Top employer for 2007

EnBW receives top ranking in the "Top Arbeitgeber 2007" of the business magazine *karriere* in collaboration with the *geva-institut* and the Corporate Research Foundation.

New EnBW campaign

EnBW launches its new PR campaign with the one-minute TV spot called "Die Minute der Energie" in which Jo Brauner, the former presenter of the Tagesschau daily news programme, presents the core services of EnBW and the value of electricity. This is accompanied by the launch of a nationwide advertisement motif "Open email to the general public".

April 2007

Foundation stone laid for EnBW City

In the Fasnhofer-Ost industrial estate in Stuttgart-Möhringen, the foundation stone is laid for the central administration complex EnBW City. The construction project is Stuttgart's largest property development project and currently one of Germany's largest office development projects. With pioneering techniques such as concrete core cooling and the use of geothermal power in combination with rooflight domes, window shading, ventilation and cooling, the project aspires to use energy efficiently and take account of environmental considerations. The aim is to significantly undercut the strict requirements of the energy saving decree.



Philippsburg nuclear power station praised

At the presentation of the final report of the OSART Mission in the Philippsburg nuclear power station, the International Atomic Energy Association (IAEA) confirms that, benchmarked against international standards, Philippsburg is a very good plant at which nuclear safety is accorded highest priority.

New waste boilers commissioned

Two new, highly efficient waste boilers are commissioned at the EnBW residual waste CHP plant in Stuttgart-Münster. With an annual operational capacity of 140,000 t each and high availability thanks to state-of-the-art boiler and firing technology, they will continue to guarantee reliable residual waste disposal in the power plant which has the capacity to treat more than 420,000 t annually.

Sale of U-plus

Subject to the approval of the German Anti-trust Office, the EnBW Board of Management and the Supervisory Board decide to sell the U-plus group to ALBA AG, a Berlin-based waste disposal company.

Cutting energy costs

In Hanover, twelve industrial customers in the forum "EnBW-Netzwerk Energieeffizienz Weser-Ems" elaborate sustainable measures for the reduction of energy costs.

New metering technology

EnBW introduces new metering technology with internet access. The development of the "intelligent meter" is being pursued by all the brands – EnBW, Yello, Watt and NaturEnergie.

Innovations at the Hanover trade fair

Under the motto "Experiencing Innovation", EnBW presents itself at the 2007 Hanover Trade Fair as pioneer and forerunner of the energy industry. With innovative exhibits and models, energy efficiency is the key message.



Letter to our shareholders

Dear Shareholders,

Having closed 2006 as the best fiscal year in the history of the EnBW group, I am delighted to announce today that we started fiscal 2007 with the fourth record result for a first quarter in a row. All the key earnings ratios of the first quarter are up on the corresponding figures of the prior year.

_ At around € 4.1 billion, group revenue in the first quarter was 8.8 per cent higher than the comparable prior-year figure.

_ The EBITDA rose in the first quarter of 2007 compared to the corresponding prior-year period by € 103.4 million to € 818.6 million. This is an increase of 14.5 per cent.

_ The EBIT rose in the first quarter of 2007 to € 629.9 million, an increase of € 71.7 million or 12.8 per cent compared to the first quarter of the prior year.

_ The EBT rose in the first quarter of 2007 compared to the corresponding prior-year period by 6.9 per cent to € 551.6 million.

_ Group net profit in the first quarter of 2007 came to € 360.2 million. This is an increase compared to the corresponding prior-year period of € 41.8 million or 13.1 per cent.



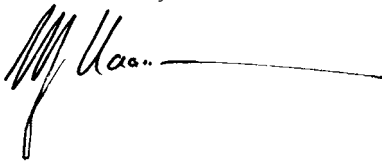
Prof. Dr. Utz Claassen
Chief Executive Officer

Earnings in the first quarter were impacted by the unusually mild weather and negative factors in the grid area due to new regulations for wind energy. Derivates had a positive impact, albeit temporary in some respects.

Despite the successful and highly promising start to the new fiscal year we must and will remain modest. The current energy policy and regulatory debate is still being shaped by various dubious initiatives, some of them counterproductive. Although these lie outside our sphere of influence, they may nevertheless impact our company. The development of results in the first quarter cannot therefore be rolled forward on a straight-line basis for the whole of the year.

We want to confront the challenges that lie ahead of us with a clearly defined strategy that combines flexibility, change speed and innovative power. As explained at the annual general meeting, we intend to supplement the existing strategic basis with the topics renewable energy, decentralised energy, energy efficiency, gas and international growth markets (in particular Turkey) and to forge ahead with a refined strategy on these issues. The Board of Management will use its best efforts to ensure that the EnBW group retains its operational efficiency in the future in your interest and in the interest of customers and workforce alike, despite the difficult political environment.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Utz Claassen', followed by a long horizontal line.

Prof. Dr. Utz Claassen
Chief Executive Officer

Karlsruhe, May 2007

The EnBW share

EnBW share in figures

Number of shares outstanding
(millions of shares)

3/31/2007¹

12/31/2006²

244.257

244.257

Closing price in €

49.80

50.55

Market capitalisation in € billions³

12.2

12.3

EnBW share prices

1/1 –
3/31/2007

1/1 –
12/31/2006

High in €

51.00

52.66

Low in €

48.01

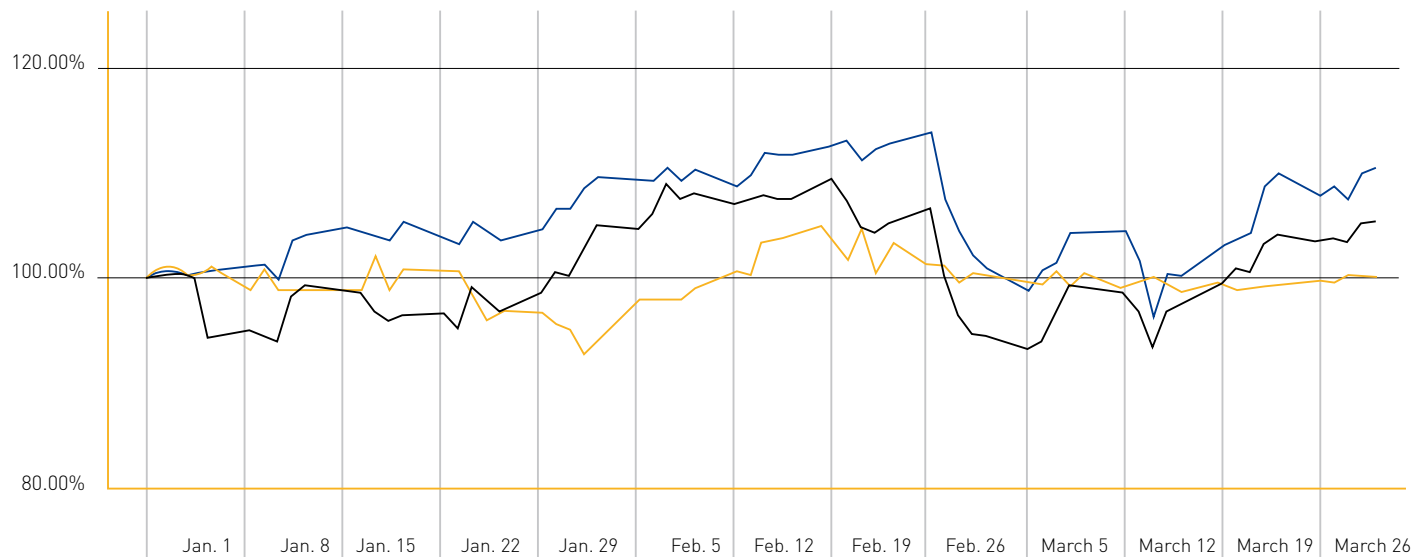
43.80

¹ From January 1, 2007, price information refers to the XETRA prices. Since the beginning of 2007, Landesbank Baden-Württemberg is the designated sponsor of EnBW, as a result electronic trading in XETRA increased. This price is therefore more informative.

² The price information relates to floor trading on the Frankfurt stock exchange.

³ Number of shares outstanding at the end of the quarter multiplied by the closing price.

Development of the EnBW share from January 1 to March 31, 2007



— EnBW XETRA
— DAX
— DJESTX-UTIL-Price-Index



Infrastructure: EnBW employees make sure the masts are in good condition. New masts are carefully plumbed in.

Shareholder composition

The shareholder composition of EnBW Energie Baden-Württemberg AG as of March 31, 2007 is unchanged¹:

Electricité de France International (EDFI)	45.01%
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	45.01%
EnBW	2.30%
Free float	1.81%
Badische Energieaktionärs-Vereinigung	2.59%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.29%
Landeselektrizitätsverband Württemberg	0.53%
Neckarelektrizitäts-Verband	0.46%
Other municipal shareholders	1.0%

¹ Figures rounded to two decimal places.

You can find up-to-the-minute information about the EnBW share on the internet at www.enbw.com.

Interim financial statements of the EnBW group January to March 2007 (unaudited)

Management report



Installation: In a transformer substation, new 20 kV cables are fitted to a transformer.

Economic and political environment

Market situation

Wholesale electricity market: Compared to the corresponding prior-year period, the spot market prices for electricity completely collapsed in the first quarter of 2007. At € 29.74/MWh, the average price for the quarter for base deliveries¹ was around 54% down on the first quarter of 2006; the average value for peak deliveries² fell around 55% on the prior-year period.

The development was due on the one hand to the unusually high temperatures for the time of year. The lower heating power requirement reduced the demand for electricity. The demand on the wholesale market for electricity was further reduced by above-average feed-in from wind energy, particularly in January, again due to the weather conditions.

On the generation side, three aspects put the spot market prices for electricity under pressure. First, well-filled water storage basins in the Alps led to an above-average electricity supply from hydro-storage plants. Second, the significant drop in prices for CO₂ emission allowances in the first trading period 2005–2007 led to lower prices; this allowed fossil-fired power stations to be used for lower electricity prices. Third, the mild weather also meant that there were ample supplies of gas on the gas market. This was reflected in the availability of low-price spot quantities that could be used to produce electricity which also kept prices down.

Prices on the forward market for electricity also came under pressure in the first quarter of 2007, albeit to a lesser extent than the prices on the spot market. Although the average settlement price for base deliveries in 2008 of € 52.71/MWh was some 5% below that of the fourth quarter of 2006, it virtually matched the average value of the first quarter of the prior year.

This drop in price was attributable to the psychological effect of a drop in prices on the spot market over several weeks and lower quotations for forward deliveries in the current year 2007. The reduction in the price of CO₂ emission allowances of the second trading period 2008–2012 also played a role in the price development. The prices for allowances were some 20% down on the previous quarter, although the drop in price was by no means as pronounced as for the first trading period.

¹ Price for constant purchase/supply throughout the year.
² Price for purchase/supply Monday to Friday, 8 am to 8 pm.

Comparison of average electricity prices in €/MWh

	EEX forward market (settlement price)				EEX spot market	
	Year 2008 Base	Year 2009 Base	Year 2008 Peak	Year 2009 Peak	Base	Peak
Q 1 2006	52.67	52.51	74.58	74.07	65.10	90.34
Q 4 2006	55.55	54.57	82.88	80.67	44.67	65.53
Q 1 2007	52.71	53.03	77.37	77.96	29.74	40.69

CO₂ market: In the first quarter of 2007, prices on the CO₂ market were highly volatile. In light of market expectations that more CO₂ emission allowances would be available in the first trading period than needed, the price for allowances of the first trading period dropped continually, reaching a price level of approx. € 1/t CO₂ in the middle of the quarter.

The prices for CO₂ emission allowances of the second trading period also dropped by around one third in the first half of the quarter. This was presumably due to stronger sales by market participants who wanted to replace their CO₂ emission allowances by lower priced carbon credits from developing countries/emerging countries. In the second half of the quarter, prices picked up again and by the end of the quarter more or less matched the level at the end of the prior year. This was probably due to the increased demand by energy suppliers securing their requirement for CO₂ emission allowances in conjunction with electricity sales or in response to the indications of cutbacks in free allowances on the CO₂ market.

These swings in prices went hand in hand with increased market liquidity. Compared to the prior-year quarter, the daily turnover doubled to around 5 million t of CO₂; compared to the fourth quarter of 2006 the daily trading volume increased by more than 25%.

Coal market: The warm winter in north west Europe was one of the reasons at the beginning of the first quarter of 2007 for the easing of the supply situation on the world market for hard coal, resulting in a slight drop in prices. In the second half of the quarter, however, the world market prices for hard coal picked up again, in particular for deliveries to the sea ports Amsterdam, Rotterdam and Antwerp (ARA). This was presumably due in part to the mid-quarter report that China had become a net importer of hard coal for the first time – at least temporarily for the month of January – suggesting that in future larger supplies previously provided to the world market by China as large net exporter could be missing.

Prices, in particular for short-term deliveries of hard coal, were presumably also driven up by overburdened loading capacities and, as a result, delays in loading ships, especially at Newcastle, Australia's main export port. Triggered by increased demand in Asia for Australian coal, this bottleneck impacted both the volume exported by Australia and the freight prices. Due to the supply situation in Asia, India also started resorting to South African coal in the last few weeks of the first quarter which also pushed up the prices for short-term hard coal exports from South Africa. As a result, Europe bought additional supplies of short-term hard coal from Columbia and Poland. The prices for short-term hard coal deliveries rose sharply to more than US\$ 75/t towards the end of the quarter.

Oil market: In the first quarter of 2007, the situation on the oil markets temporarily relaxed compared to 2006. At US\$ 51.70, the price for a barrel of Brent oil was at its lowest for 18 months in the second half of January. Since then, official prices have started to rise again, but by the end of March they failed to match the highs of the past year. Besides the development of stocks in North America, this upward trend is due to the growing political instability in the Middle East since February in connection with the Iranian nuclear programme

Gas market: Because the gas price is linked to the oil price, the development of oil prices affects gas prices with a time lapse. This development is reflected in the official price of the Federal Statistics Office for the trading places on the Rhine (Düsseldorf, Frankfurt am Main, Mannheim and Ludwigshafen) that is decisive for the price of gas. The average price for light heating oil in the first quarter of 2007 stood at € 42.74/hl, thus down around 8.8% on the previous quarter. This development is mainly attributable to the mild winter, not just in Europe but for a while also in parts of North America.

The end user prices will be mainly affected by this development in the second quarter when the lower prices for the trading places along the Rhine in the months of January and February 2007 are within the reference period of relevance for determining the price of gas for the first time.

Comparison of average prices for CO₂ emission allowances in €/t CO₂

	First trading period	Second trading period	
	Year 2007	Year 2008	Year 2009
Q 1 2006	27.01	24.20	–
Q 4 2006	9.72	16.75	18.57
Q 1 2007	2.12	15.17	15.73

Comparison of average coal prices (API # 2) in US\$/t

	Year 2008	Year 2009	Delivery in the following quarter
Q1 2006	63.37	63.93	61.03
Q 4 2006	69.75	71.41	67.81
Q 1 2007	69.33	70.28	68.83

API # 2 = All Publications Index Number 2



Control centre: One of Europe's most modern control centres is located in Wendlingen.

Energy policy

CO₂ allowance trading: On April 18, 2007, the federal cabinet enacted the 2012 Allocation Act. It is part of the national allocation plan for the second CO₂ emissions trading period.

The law has been revised in two major respects. First, the allocation of emission allowances is to be converted to a BAT (Best Available Technology) benchmark system. The outdated and non-transparent grandfathering system of the national allocation plan for the first trading period which particularly favoured large-scale polluters of the past is no longer the basis for the allocation of allowances. Second, allowances are allocated to hard coal and brown coal power stations on the basis of the same benchmark. The burden of emission reduction to be borne by brown coal power stations is thus particularly high because their real emissions are significantly higher than those of hard coal power stations.

EnBW, which had introduced the benchmark model to the discussion at an early stage, welcomes the conversion of the German emissions trading system. The 2012 Allocation Act has been submitted to the lower house of the German parliament for reading. The law has to be enacted by early July, the final step in the restructuring of the German emissions trading system.

Act against Restraints on Competition: In autumn 2006, the Federal Ministry of Economics and Technology presented an expert bill for the amendment of the German Act against Restraints on Competition (GWB).

In the consultation process with the federal cabinet, the Federal Ministry for the Environment opposed significant parts of the planned tightening of the antitrust law because, from their point of view, state intervention threatened to distort pricing on the wholesale market and provide negative incentives for new investments.

This was not the only criticism provoked by the bill. Not only the German Advisory Council on Global Change, but also the Monopolies Commission have pointed out the adverse effects that such an amendment would have on competition.

On April 25 the federal cabinet approved the amended version of Sec. 29 GWB. A few points of criticism had been addressed; however, the fundamental criticism concerning the lack of a market-regulatory approach remains. The federal government aims to enact the law before the summer recess.

Power station connection decree: On April 25, the federal cabinet also approved the draft of a power station connection decree. The Federal Ministry of Economics and Technology aims to have it enacted before the summer recess.

The aim of the power station connection decree is to give new energy generators an incentive to invest in power stations, thus encouraging competition. Existing energy generators could, however, be at a disadvantage. Due to the priority rulings, power stations would have to give third-party operators which are ready for operation by 2012 preferential treatment offering them a transmission guarantee besides connecting them to the transmission network. Worst case scenario, power stations would presumably not be able to feed quantities of their own energy into the grid on account of bottlenecks.

European energy policy: On March 8, 2006, the EU Commission presented the discussion paper (green book) "A European strategy for sustainable, competitive and secure energy". Parallel to the consultation on the green book, the sector survey of the energy markets was continued. The results are reflected in the energy papers presented on January 10, 2007. Although they do not contain any concrete bills yet, they do give a clearer picture of the Commission's ideas on the development of a future energy policy.

A final report on the sector inquiry is also contained in these papers. In this report, the Commission is highly critical of the way competition works. One main reason cited is the continuing vertical integration of the energy supply companies.

Regarding the future shape of the single energy market, the Commission continues to focus on further ownership unbundling measures and demands more powers and greater independence for the national regulators. At European level, the question of responsibility for regulation of cross-border electricity flows is under discussion.

The Commission has defined certain targets for 2020: by then CO₂ emissions should be reduced by at least 20%. At the same time, the share of renewable energies should be increased to 20% of the total energy supply and energy efficiency raised by 20%. The German energy industry could benefit from the objective way nuclear power has been analysed.

The European state and government heads supported the targets proposed by the Commission at their meeting on March 8 and 9, 2007. Details of the unbundling process have been called for by June 2007.

Regulation of the electricity and gas markets

Incentive regulation: In accordance with the German Energy Industry Act (EnWG), the principle of cost regulation underlying the decisions on network user charges is to be replaced by an incentive-based system of regulation. The Federal Ministry of Economics and Technology is currently translating the model elaborated by the Federal Network Agency into a decree. This requires the approval of the upper house of the German parliament.

According to the draft submitted by the Ministry of Economics and Technology on April 5, 2007, a second review of the network user charges is scheduled for 2007 and incentive regulation is to start on January 1, 2009. This will be followed by two regulatory periods of four years each during which all the network operators are to be raised to the efficiency level.

The planned system of incentive regulation is designed to give incentives to improve efficiency by capping revenues from network user charges for the duration of the regulatory period. Using cost benchmarking, the individual network operators will also be given individual efficiency targets for their company based on the figures of the most efficient network operator. It is expected that the incentive regulation decree will be enacted in summer 2007. EnBW is also involved in the current development process alongside the German federal states and representatives from the energy industry and science.

Cooperation agreement in the gas industry: In connection with the implementation of gas grid access in accordance with Sec. 20 (1b) EnWG, a new draft of a cooperation agreement has been submitted to the Federal Network Agency that is to take effect on June 1, 2007. It regulates the cooperation of grid operators with each other and between grid operators and grid customers; grid access is to be processed exclusively on the basis of the two contract model.

The main content of the draft includes the conditions for transmission across grids and market territories and the definition and presentation of the market territories. This also includes the GVS-ENI market territory of Gasversorgung Süddeutschland GmbH and ENI Gas & Power S.p.A. The number of market territories has been reduced compared to earlier drafts of the cooperation agreement from the original 19 to 16.



Modernisation: An old transformer is loaded onto an articulated lorry for removal.

Company situation of the EnBW group

Revenue and unit sales

In the first quarter of 2007, the EnBW group recorded external revenue before deducting electricity and natural gas tax of € 4,201.8 million, 2.1% more than in the first quarter of 2006. External revenue after deducting electricity and natural gas tax increased by 8.8% to € 4,056.2 million.

Revenue increased above all in the electricity and energy and environmental services segments. Adjusted to eliminate changes in the consolidated group, revenue rose by € 78.0 million or 1.9%.

Electricity: The electricity segment generated roughly 73% of the revenue of the EnBW group from January to March 2007.

Unit sales of electricity rose by 3.2% in the first three months of 2007. Adjusted for changes in the consolidated group, unit sales of electricity fell by 4.4%. The drop in electricity sales is primarily due to trading.

Revenue rose by 16.2% to € 2,974.7 million. Adjusted to eliminate consolidation effects, electricity revenue increased by € 194.5 million or 7.0%. The increase in revenue is due, among other things, to the increased electricity prices in the trading division.

Gas: In the first quarter of 2007, the gas segment accounted for 22.5% of the revenue of the EnBW group.

Unit sales of gas dropped from January to March 2007 by 24.5% to 27.4 billion kWh. Adjusted for changes in the consolidated group, unit sales decreased by 32.2%. The reason for the drop in unit sales was the mild winter.

Gas revenue decreased by 15.3% to € 913.9 million. Adjusted to eliminate changes in the consolidated group, gas revenue fell by € 275.6 million or 23.2%.

Energy and environmental services:

Revenue in the energy and environmental services segment stems from disposal, water supply, and other energy services. It totals € 167.6 million. This represents growth of 88.1% compared to the first quarter of 2006. Adjusted to eliminate changes in the consolidated group, revenue rose by € 3.1 million or 1.9%.

Earnings and business development

Compared with the first quarter of 2006, the EBT – Earnings Before Taxes – increased overall by € 35.6 million or 6.9%. Without non-operating effects, the adjusted EBT increased by € 87.3 million or 19.5%. The increase in adjusted EBT is due above all to the improved result in the electricity segment and the enlargement of the consolidated group.

The EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation – rose by 14.5% or € 103.4 million compared to the first quarter of 2006. Adjusted for consolidation effects, the EBITDA rose by 5.7% or € 43.9 million. The adjusted EBITDA rose by € 150.0 million to € 800.0 million. After eliminating consolidation effects, the adjusted EBITDA rose by 12.6% or € 89.3 million.

In the electricity segment, the EBITDA rose by 14.5% or € 85.6 million compared to the first quarter of 2006. The adjusted EBITDA rose by 24.6% or € 130.0 million to € 658.1 million.

The increase in EBITDA is due above all to the market valuation of derivatives and the enlargement of the consolidated group. The result was burdened by the reduction of network user charges by the Federal Network Agency.

In the gas segment, the EBITDA dropped by 16.1% to € 109.8 million compared to the period January to March 2006. The adjusted EBITDA in the gas segment fell by 16.4% or € 21.5 million to € 109.4 million. The main reason for the decrease in adjusted EBITDA is the drop in unit sales of gas.

The EBITDA in the energy and environmental services segment rose by 133.6% to € 59.1 million compared to the first quarter of 2006. The adjusted EBITDA in the energy and environmental services segment increased by 169.8% or € 36.5 million to € 58.0 million. This is attributable to the enlargement of the consolidated group and the improved operational performance.

**External revenue of the EnBW group
by business segment in € millions^{1,2}**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Electricity	2,974.7	2,560.5	+16.2	9,642.3
Gas	913.9	1,079.2	-15.3	2,757.9
Energy and environmental services	167.6	89.1	+88.1	592.6
Total	4,056.2	3,728.8	+8.8	12,992.8

¹ After deducting electricity and natural gas tax.

² Figures of the comparative periods have been adjusted.

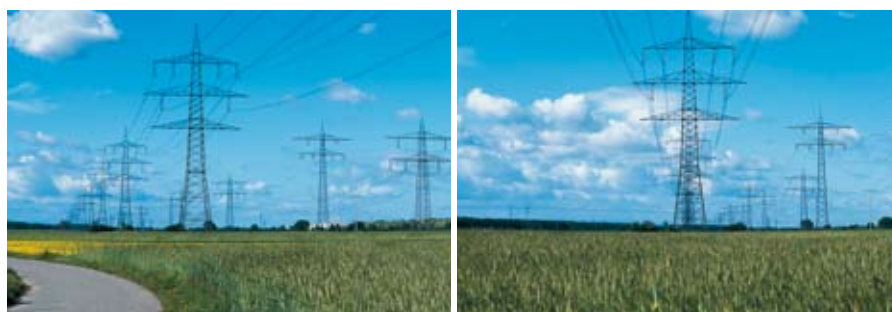
**Unit sales of the EnBW group
in billions of kWh**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Electricity	35.5	34.4	+3.2	119.4
Gas	27.4	36.3	-24.5	83.5

**EBITDA of the EnBW group
by business segment in € millions¹**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Electricity	675.2	589.6	+14.5	2,056.6
Gas	109.8	130.8	-16.1	309.5
Energy and environmental services	59.1	25.3	+133.6	48.5
Other activities/Holding	-25.5	-30.5	–	-117.0
Total	818.6	715.2	+14.5	2,297.6

¹ The figures of the comparative periods have been adjusted.



Transmission network: EnBW's very high voltage network transports electricity efficiently over long distances.



Impressions from Baden-Württemberg.

Compared with the first quarter of 2006, the EBIT – Earnings Before Interest and Taxes – increased by € 71.7 million to € 629.9 million. Adjusted to eliminate consolidation effects, the EBIT went up by 6.1% or € 36.3 million. The adjusted EBIT rose by 24.0% or € 118.5 million to € 611.5 million. Adjusted to eliminate consolidation effects, the adjusted EBIT went up by 15.5% or € 81.9 million.

Compared with the first quarter of 2006, the EBT – Earnings Before Taxes – improved by € 35.6 million to € 551.6 million. Adjusted to eliminate changes in the consolidated group, the EBT rose by € 9.7 million or 1.8%. The adjusted EBT rose by 19.5% or € 87.3 million to € 535.2 million. After eliminating changes in the consolidated group, the adjusted EBT rose by 12.7% or € 60.2 million.

After deducting income taxes of € 167.1 million and minority interests of € 28.8 million, the result of continuing operations in the first quarter of 2007 comes to € 355.7 million. The result of discontinued operations amounts to € 4.5 million. Group net profit increased by 13.1% to € 360.2 million. Adjusted to eliminate changes in the consolidated group, group net profit rose by 10.5% or € 34.3 million.

Non-Operating Result

The non-operating result of the EnBW group comprises extraordinary income and expenses. The positive non-operating result is due above all to gains on sale and the reversal of provisions.

From the fiscal year 2007 onwards, results relating to other periods are no longer disclosed in the non-operating result. The comparative figures have been adjusted accordingly.

Non-operating results included in the earnings ratios EBITDA, EBIT and EBT have been deducted from the earnings ratios adjusted EBITDA, adjusted EBIT and adjusted EBT.

**EBIT of the EnBW group
in € millions¹**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Electricity	537.2	465.5	+15.4	1,496.8
Gas	87.0	111.7	-22.1	223.3
Energy and environmental services	31.0	11.5	+169.6	-128.1
Other activities/Holding	-25.3	-30.5	–	-117.0
Total	629.9	558.2	+12.8	1,475.0

**Earning ratios of the
EnBW group in € millions¹**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
EBITDA	818.6	715.2	+14.5	2,297.6
EBIT	629.9	558.2	+12.8	1,475.0
EBT	551.6	516.0	+6.9	1,191.7
Earnings after tax	384.5	352.2	+9.2	1,116.3
Minority interests	-28.8	-42.2	–	-119.7
Result of continuing operations	355.7	310.0	+14.7	996.6
Result of discontinued operations	4.5	8.4	-46.4	6.8
Group net profit	360.2	318.4	+13.1	1,003.4

**Non-operating result
of the EnBW group
in € millions¹**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %
Non-operating EBITDA	18.6	65.2	-71.5
Non-operating EBIT	18.4	65.2	-71.8
Non-operating EBT	16.4	68.1	-75.9

**Adjusted result
of the EnBW group
in € millions¹**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %
Adjusted EBITDA	800.0	650.0	+23.1
Adjusted EBIT	611.5	493.0	+24.0
Adjusted EBT	535.2	447.9	+19.5

¹The figures of the comparative periods have been adjusted.

Capital expenditures and acquisitions

Capital expenditures in the first quarter of 2007 amounted to € 158.5 million. This is € 82.8 million or 109.4% more than in the first quarter of 2006.

Some 73% of capital expenditures was made in the electricity segment. Spending here focused on the expansion of the power stations and distribution plants.

Financing

In the reporting period, the EnBW group made its repayments for bank and lease liabilities as scheduled. On February 28, 2007 EnBW repaid a bond of € 750 million issued in 2002 as scheduled. EnBW made use of the commercial paper programme for the first time since early 2005. Own funds as well as adequate free lines of credit in the form of the syndicated line of credit of € 2.5 billion and the Commercial Paper Programme are available to cover the financial requirements of the group.

Composition of the balance sheet of the EnBW group

Compared with December 31, 2006, the total net assets of the group rose by € 293.7 million or 1.0%.

The non-current liabilities – accounting for 76% of total net assets – increased by 0.2% to € 21,678.6 million.

Current assets increased 0.9% to € 6,485.8 million.

Non-current assets held for sale and assets of discontinued operations rose to € 223.7 million following the reclassification of the U-plus group to discontinued operations.

The equity ratio in the group, including minority interests, rose from 15.7% (as of December 31, 2006) to 16.7%. The positive result was the main reason for the increase.

The non-current liabilities of the EnBW group increased by 0.3% to € 16,922.7 million. They comprise non-current provisions, deferred tax liabilities and non-current liabilities.

Current liabilities decreased by 3.5% to € 6,485.3 million.

The liabilities of non-current assets held for sale and discontinued operations increased to €247.7 million.

Cash flow statement

Compared to the first quarter of 2006, the cash flow from operating activities increased by € 209.3 million to € 299.5 million.

The cash flow from investing activities fell from € -157.5 million to € -241.1 million. While investments in intangible assets and property, plant and equipment increased significantly, cash paid for the acquisition of group companies decreased.

The cash flow from financing activities rose by € 95.4 million on the prior-year period to € -71.0 million. This is due to the borrowing of short-term financial liabilities.

The increase in free cash flow by € 98.6 million to € 167.9 million is due to the significant increase in cash flow from operating activities. The significant increase in investments in intangible assets and property, plant and equipment ran counter to this.

**Capital expenditures of the EnBW group
on intangible assets and property, plant
and equipment by business segment
in € millions**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Electricity	115.9	48.3	+140.0	403.4
Gas	7.7	6.6	+16.7	71.4
Energy and environmental services	34.9	20.8	+67.8	155.3
Total	158.5	75.7	+109.4	630.1

**Cash flow statement
in € millions**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Cash flow from operating activities	299.5	90.2	+232.0	1,466.6
Cash flow from investing activities	-241.1	-157.5	–	-560.4
Cash flow from financing activities	-71.0	-166.4	–	-399.0
Net change in cash and cash equivalents	-12.6	-233.7	–	507.2
Net foreign exchange difference	-2.9	0.8	–	-1.3
Changes in cash and cash equivalents	-15.5	-232.9	–	505.9

**Free cash flow
in € millions**

	1/1 – 3/31/2007	1/1 – 3/31/2006	Variance %	1/1 – 12/31/2006
Cash flow from operating activities	299.5	90.2	+232.0	1,466.6
Capital expenditures on intangible assets and property, plant and equipment	-158.5	-75.7	–	-630.1
Cash received from the sale of intangible assets and property, plant and equipment	7.7	45.6	-83.1	105.2
Cash received from construction cost investment subsidies	19.2	9.2	+108.7	85.4
Free cash flow	167.9	69.3	+142.3	1,027.1

Net financial debt

Net financial debt dropped by € 55.2 million to € 3,537.6 million in the first quarter of 2007.

Net financial debt in € millions	3/31/2007	12/31/2006	Variance %
Cash ¹	1,452.1	1,367.7	+6.2
Short-term investments ¹	158.4	149.6	+5.9
Cash and cash equivalents	1,610.5	1,517.3	+6.1
Bonds	3,408.1	3,258.1	+4.6
Liabilities to banks	909.7	853.9	+6.5
Other financial liabilities	830.3	998.1	-16.8
Financial liabilities	5,148.1	5,110.1	+0.7
Net financial debt	3,537.6	3,592.8	-1.5

¹ Without cash and cash equivalents of the special purpose funds.

Employees

Employees of the EnBW group ^{1,2}	3/31/2007	12/31/2006	Variance %
Electricity	11,557	11,754	-1.7
Gas	863	827	+4.4
Energy and environmental services	7,133	6,734	+5.9
Holding	559	547	+2.2
Continuing operations	20,112	19,862	+1.3
Discontinued operations	1,287	1,286	-
Total	21,399	21,148	+1.2
Full-time equivalents	20,519	20,282	+1.2

¹ The prior-year figures have been adjusted.

² Number of employees without apprentices/trainees and without inactive employees.



Installation: EnBW employees installing 20 kV electricity lines in the distribution network.

Risk report

In the 2006 annual report we reported in the management report on the risks to which the EnBW group is exposed. Below, we provide information on the main changes in the risk situation in the months January to March 2007.

Renewable Energies Act: The first quarter of 2007 saw unusually high wind energy feed-ins. This has increased the probability that there will be negative variances in earnings for the year as a whole due to economic risks stemming from the use of renewable energies (use on the basis of the German Renewable Energies Act (EEG)). The main risk element inherent in the transmission network is what is referred to as the conversion process. In this process the fluctuating supply of renewable energies is made available to the distributors as a continuous supply. In distribution, the increased feed-in of electricity from renewable energies gives rise to the obligation to accept additional continuous supplies from the transmission network operators at the rates stipulated by the Renewable Energies Act. As a rule, these rates are higher than the wholesale electricity price.

Amendment of the Act against Restraints on Competition: The expert draft presented by the German Federal Ministry of Economics and Technology back in autumn 2006 including the introduction of a new Sec. 29 of the Act against Restraints on Competition (GWB) for the energy industry was designed to tighten up the German antitrust law and reinforce the antitrust authorities' control of abuse.

The politically disputed amendment of the act was the subject of controversial debate in the course of the federal cabinet consultation. According to the original draft of the Federal Ministry of Economics and Technology, the points of the law that have been tightened up include the elimination of the materiality surcharge for energy price comparisons and the review of compensation components. On April 25, 2007, the federal cabinet approved the amended version of Sec. 29 GWB which no longer provides for the elimination of the materiality surcharge and the misuse review by the antitrust authorities of compensation components. The special ruling for the energy industry has thus been removed from the current version, thus dissipating the negative effects of this amendment on competition.

The supply industry still has a number of objections. The cost control contained in the amendment, for example, is generally alien to a competitive regime. The reversal of the onus of proof in the peer company test is considered questionable both in terms of its legality and its feasibility. If an energy supply company is accused of using higher prices than comparable energy supply companies it will be difficult to determine and comment on the calculation base used by the peer company.

Another disadvantage is the elimination of the suspensive effect of appeals against orders of the antitrust authorities. According to the new ruling, the latter are generally enforceable immediately.

CO₂ allocation/NAP II: The federal cabinet has approved the bill for the new upper limits for emissions trading for the period from 2008 to 2012. As recently required by the EU Commission, the upper trading limit should be 453 million t CO₂ per year. Brown coal power stations are not given preferential treatment on the basis of the brown coal benchmark in the national allocation plan for the second trading period (NAP II). The reduction of the upper limit by around 57 million t CO₂ per year compared to the first allocation period has to be borne almost exclusively by the energy industry. To date, parliament has failed to reach a consensus on the auctioning of 10% of the allocation quantity for energy plants. The final decision of the lower house of the federal government on the NAP II is still pending. Clarification of the issue is expected in the third quarter of 2007.

"Biblis" regulatory requirement: In its ruling of February 26, 2007, the Baden-Württemberg administrative court decided that the regulatory requirement for operation imposed subsequently on EnBW as operator of the Philippsburg nuclear power station on March 17, 2005 (referred to as the "Biblis regulatory requirement") is unlawful. At the instigation of the Federal Ministry for the Environment, the Baden-Württemberg Ministry for the Environment has appealed against the ruling of the administrative court.

Mechanical-biological waste treatment plants: Our disposal subsidiary T-plus GmbH has built plants for mechanical-biological waste treatment in Buchen and Heilbronn. According to the appraisal of an independent expert it is not possible to forecast with any certainty whether it will be possible for the plants to run regular operations over their planned useful life and thus become economically viable. EnBW therefore decided to close down the two plants. There are, however, disposal obligations from long-term agreements with municipalities and districts. We will honour these obligations.

There were no unusual developments of market price risks, credit risks in energy trading and financial asset management during the reporting period.

Subsequent events

The Supervisory Board of EnBW approved the sale of the U-plus group to ALBA AG, a Berlin-based waste disposal company.

Outlook

The prerequisite for the forecasts we publish on the development of our company and the environment we work in actually occurring is for the company to grow on the planned scale due to external and organic factors. The basis for this is a positive development in the financial position, net assets and earnings ratios on the forecast scale, i.e. among other things, an improvement in the operating performance and a corresponding development of the economic and political conditions relating to the energy industry. However, there is a risk that other currently unforeseeable factors could have a negative influence on earnings.

Market situation: On the forward market for electricity, prices currently rise slightly per delivery year. However, the electricity price development remains uncertain, as it hinges to a large extent on the situation on the fuel and CO₂ markets which are themselves subject to major uncertainties.

The shift in hard coal prices (ARA) at the end of the first quarter of 2007 from a contango (spot deliveries are traded at lower prices than future deliveries) to a backwardation situation (spot deliveries are traded at higher prices than future deliveries) suggests that the market participants assume that the bottlenecks on the world market for hard coal are temporary rather than structural. On the oil market, on the other hand, the stable contango situation indicates that prices look set to remain high. Being tied to the oil price, rising prices for natural gas can also be observed along the time axis.

The development of the raw materials markets is heavily impacted by the future demand situation and global political events as well as in particular by the development of extraction and transportation capacities. The hard coal market has been particularly hard hit by the situation in Newcastle, Australia, the development of the Asian hard coal market and, above all, the development of the net export volume of China and Indonesia. The situation on the market for crude oil remains difficult as the demand, particularly in China, the Middle East and the USA, continues to rise. Non-OPEC producers are not increasing supplies as quickly as expected and the free capacities of the OPEC are significantly lower than the average of the last ten years. Market uncertainties are being exacerbated by the continuing geo-political risks in the Middle East, in Nigeria and in Venezuela.

It is also still difficult to foresee the development of the price of CO₂ allowances. Major price changes and sales are no longer expected in the market segment of the first trading period; the price for CO₂ emission allowances of the second trading period will, however, remain highly volatile. There are uncertainties inherent here in the effects of the upcoming allocation decisions on prices and the publication of the CO₂ statistics for the year 2006 which already triggered hefty price reactions in the prior year. Finally, the development of emission credits from developing countries/emerging countries will be of great importance for the CO₂ price.



Security: Several hundred electronics installers and electricians look after EnBW's distribution network. When working with live current, protective clothing is vital.

Anticipated development of acquisitions and divestitures: In early 2007, EnBW and E.ON agreed to eliminate existing reciprocal investments in energy suppliers. For EnBW this means increasing its investment in ENSO Energie Sachsen Ost GmbH (ENSO), an electricity and gas supplier in Saxony, and in the Baden-Württemberg gas supplier Erdgas Südwest GmbH. For consolidation purposes, the larger investment in ENSO will only impact the minority interests, while the additional shares in Erdgas Südwest will allow the full consolidation of this subsidiary.

In subsequent years, this will have a positive impact on the earnings ratios EBITDA and EBIT in the gas segment of the EnBW group. The inclusion of the figures of Stadtwerke Düsseldorf AG for the whole year will produce positive consolidation effects in 2007. Subject to the approval of the Federal Antitrust Office, the disposal activities bundled in the U-plus group are to be divested. As the result of the U-plus group was shown retroactively in the result from discontinued operations for 2006 there is no effect on revenue and the operating result.

Any other opportunities for acquisitions in Germany or in central and eastern Europe beyond this which can lead to further increases in the main financial indicators of the EnBW group are subject to a high degree of uncertainty. The forecast below is therefore restricted to the development of the operational earnings power of the existing EnBW group.

Anticipated earnings development¹: In the electricity segment we will strive to match the prior-year level. Having completed the last stage of our TOP FIT cost-cutting programme in 2006, we are confident that supplementary continuous improvement programmes, a focus on profitable customer segments when concluding new contracts and an improved generating position will help to offset negative influences on profits arising from the notices of the regulatory authorities.

In the gas segment, we expect a moderate drop in earnings due to regulatory activities and the warm winter in the first quarter of 2007.

With regards to the energy and environmental services segment, we expect our contracting subsidiary EnBW Energy Solutions GmbH to record a continuous increase in earnings. Due to the planned commissioning of a further two waste incineration boilers of EnBW at the Stuttgart-Münster location, we project an increased result in the thermal disposal segment of our power plant subsidiary EnBW Kraftwerke AG in 2007.

¹ Adjusted for changes in the consolidated group.

Dividends: The annual general meeting on April 26, 2007 approved a dividend of € 1.14 per share for the fiscal year which was paid out on April 27, 2007. We are aiming for a further positive development for fiscal year 2007. The condition for this is a positive development in earnings ratios on the planned scale, i.e. an improvement in the operating performance, a corresponding development of the economic and political conditions relating to the energy industry and of prices for retail and industry customers. However, there is also a risk that operating problems as well as other currently unforeseeable factors could have a negative influence on earnings.

Capital expenditures: Capital expenditures on property, plant and equipment of € 3.2 billion are planned for the period from 2007–2009. The prerequisite for the capital expenditures to be realised is their economic viability and approval by the proper authorities. Approximately 70% of the capital expenditures is accounted for by the electricity segment while 10% is spent on the gas segment. The rest is principally allocated to the energy and environmental services segment.

Capital expenditures in the electricity segment focus on renewal of the distribution grids, restructuring of the very high voltage networks (380 kV and 220 kV) and the replacement of power station capacities in Baden-Württemberg which refers mainly to the construction of a hard coal power plant in Karlsruhe. EnBW is also investing in renewable energies, focusing on the run-of-the-river power plant in Rheinfelden and biomass power plants. In order to bundle our activities in Stuttgart, we have started building a new office complex.

Financing: The unused syndicated line of credit of € 2.5 billion and the existing Euro Medium Term Note programme and Commercial Paper programme are available at all times for debt refinancing in the course of 2007.

Based on its currently stable A- rating, EnBW is able to refinance its debts at favourable terms on the capital markets and make use of any opportunities that arise.

**Development of earnings 2007 (Adjusted EBIT)
in a year-on-year comparison**

Electricity segment including trade	stable
Gas segment	falling
Energy and environmental services segment	rising
Consolidation (Stadtwerke Düsseldorf AG; January to March)	rising
Adjusted EBIT, group	rising slightly



Industrial safety: Safety is the top priority when climbing up electricity masts for servicing.

Interim financial statements of the EnBW group January to March 2007 (unaudited)

Income statement

Balance sheet

Cash flow statement

Statement of changes
in equity

Notes and
explanations



On location: For EnBW employees it goes without saying that the distribution network is serviced at the customer.

Income statement of the EnBW group from January 1 to March 31, 2007

in € millions ¹	1/1 – 3/31/2007	1/1 – 3/31/2006
Revenue	4,201.8	4,114.0
Electricity and natural gas tax	-145.6	-385.2
Revenue without electricity and natural gas tax	4,056.2	3,728.8
Changes in inventories	0.2	5.5
Own work capitalised	7.2	5.7
Other operating income	199.7	219.3
Cost of materials	-2,878.3	-2,710.1
Personnel expenses	-342.2	-290.8
Amortisation and depreciation	-188.7	-157.0
Other operating expenses	-224.2	-243.2
Result from operating activities	629.9	558.2
Financial result	-78.3	-42.2
Earnings before taxes	551.6	516.0
Income taxes paid	-167.1	-163.8
Earnings after tax	384.5	352.2
Minority interests	-28.8	-42.2
Result of continuing operations	355.7	310.0
Result of discontinued operations	4.5	8.4
Group net profit for the period	360.2	318.4
<hr/>		
Shares outstanding (million), weighted average	244.257	244.057
Earnings per share from continuing operations (€)	1.46	1.27
Earnings per share from group net profit (€)	1.47	1.30

¹ The figures of the comparative period have been adjusted.

Balance sheet of the EnBW group as of March 31, 2007

in € millions	3/31/2007	12/31/2006
Assets		
Non-current assets		
Intangible assets	1,841.0	1,810.4
Property, plant and equipment	11,306.8	11,336.1
Entities accounted for using the equity method	1,366.3	1,327.6
Other financial assets	6,283.1	6,259.6
Investment properties	111.6	115.1
Other non-current assets	740.7	739.4
Deferred taxes	29.1	38.9
	21,678.6	21,627.1
Current assets		
Inventories	540.8	612.3
Financial assets	243.4	274.0
Trade receivables	2,220.5	2,245.7
Income tax refund claims	164.7	186.0
Other current assets	1,399.6	1,178.5
Cash and cash equivalents	1,916.8	1,932.3
	6,485.8	6,428.8
Non-current assets held for sale and assets of discontinued operations	223.7	38.5
	6,709.5	6,467.3
	28,388.1	28,094.4
Equity and liabilities		
Equity		
Group shares		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	2,971.4	2,611.2
Revaluation reserve in accordance with IFRS 3	10.3	7.3
Treasury shares	-204.1	-204.1
Total net income recognised in equity	395.4	395.4
	3,835.2	3,472.0
Minority interests	897.2	929.5
	4,732.4	4,401.5
Non-current liabilities		
Provisions	8,913.0	8,865.8
Deferred taxes	2,064.0	1,995.8
Financial liabilities	3,794.4	3,883.8
Other liabilities and subsidies	2,151.3	2,126.0
	16,922.7	16,871.4
Current liabilities		
Provisions	1,214.3	1,306.3
Financial liabilities	1,353.7	1,226.3
Trade payables	1,693.8	2,164.6
Income tax liabilities	37.5	126.8
Other liabilities and subsidies	2,186.0	1,894.5
	6,485.3	6,718.5
Liabilities of discontinued operations	247.7	103.0
	6,733.0	6,821.5
	28,388.1	28,094.4

Cash flow statement of the EnBW group

in € millions ¹	1/1 – 3/31/2007	1/1 – 3/31/2006
1. Operating activities		
EBITDA	818.6	715.2
EBITDA of discontinued operations	7.7	14.1
Change in non-current provisions	-43.4	-90.2
Gain/loss on disposal of non-current assets	-0.7	-31.8
Other non-cash expenses/income	-18.8	-16.3
Funds from Operations (FFO) before taxes and financing	763.4	591.0
Change in working capital and current provisions	-243.8	-502.3
Income taxes paid	-220.1	1.5
Cash flow from operating activities	299.5	90.2
of which discontinued operations	(-4.3)	(-6.3)
2. Investing activities		
Capital expenditures	-158.5	-75.7
Cash received from disposals of intangible assets and property, plant and equipment	7.7	45.6
Cash received from construction cost and investment subsidies	19.2	9.2
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-182.0	-296.6
Cash paid for investments in other financial assets	-21.9	0.0
Cash received from the sale of other financial assets	3.5	84.9
Cash received/paid for investments in connection with short-term finance planning	-23.8	-7.1
Interest and dividends received	114.7	82.2
Cash flow from investing activities	-241.1	-157.5
of which discontinued operations	(0.7)	(4.4)
3. Financing activities		
Interest paid	-201.8	-165.1
Dividends paid	-0.4	0.0
Cash received from the sale of treasury shares	0.0	14.4
Borrowing	921.6	12.7
Repayment of financial liabilities	-790.4	-28.4
Cash flow from financing activities	-71.0	-166.4
of which discontinued operations	(-1.4)	(-0.5)
Net change in cash and cash equivalents	-12.6	-233.7
Net foreign exchange difference	-2.9	0.8
Changes in cash and cash equivalents	-15.5	-232.9
Cash and cash equivalents at the beginning of the period	1,932.3	1,426.4
Cash and cash equivalents at the end of the period	1,916.8	1,193.5

¹The figures of the comparative period have been adjusted.

Statement of changes in equity of the EnBW group

in € millions	Group shares	Minority interests	Total
As of December 31, 2005	2,420.6	647.1	3,067.7
Sale of treasury shares	14.4	0.0	14.4
Dividends paid	0.0	-0.1	-0.1
Total net income recognised in equity/Other	12.1	414.2	426.3
Earnings after tax	310.0	42.2	352.2
Result of discontinued operations	8.4	0.0	8.4
As of March 31, 2006	2,765.5	1,103.4	3,868.9
As of December 31, 2006	3,472.0	929.5	4,401.5
Dividends paid	0.0	-0.4	-0.4
Total net income recognised in equity/Other	3.0	-60.7	-57.7
Earnings after tax	355.7	28.8	384.5
Result of discontinued operations	4.5	0.0	4.5
As of March 31, 2007	3,835.2	897.2	4,732.4

Notes and explanations

Accounting policy

The interim financial statements of the EnBW group are prepared according to the International Financial Reporting Standards (IFRS) the adoption of which is mandatory in the EU at the balance sheet date. In addition, the related interpretations (IFRIC/SIC) are observed. Standards and interpretations that have not yet come into force are not adopted.

The accounting policies applied for the quarterly financial report as of March 31, 2007 are the same as those for the consolidated financial statements as of December 31, 2006 with the exception of the new policies described below.

In compliance with IAS 34, the reporting scope selected for the presentation of the consolidation financial statements of EnBW AG as of March 31, 2007 was abbreviated compared to that of the separate financial statements.

Besides the balance sheet and the income statement, the financial statements also include a cash flow statement and a condensed statement of changes in equity. Information about segment revenues and the segment result before and after amortisation and depreciation is contained in the management report.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have amended some standards and interpretations and issued new ones, the adoption of which is mandatory as of January 1, 2007:

> IAS 1 "Presentation of Financial Statements":

The amendment of IAS 1 requires information to be disclosed in the financial statements that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

> IFRS 7 "Financial Instruments: Disclosures":

The changes due to this new standard are mainly intended to summarise, revise and extend the previous disclosure requirements for accounting for financial instruments.

> IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies":

This interpretation addresses questions relating to IAS 29 when hyperinflation is identified for the first time in the economy of the reporting entity's functional currency.

> IFRIC 8 "Scope of IFRS 2":

In IFRIC 8 the IASB comments on the scope of IFRS 2 "Share-based Payment", which is applicable for transactions under which a company receives goods or services as compensation for a share-based payment.

➤ IFRIC 9 “Reassessment of Embedded Derivatives”:

IFRIC 9 addresses the question whether a contract needs to be analysed only when it is entered into or also during its entire term to determine whether it contains an embedded derivative that should be separated in accordance with IAS 39.

First-time adoption of the standards and interpretations listed above did not have any significant effects on the EnBW consolidated financial statements.

Non-current assets held for sale and assets of discontinued operations

The Board of Management of EnBW AG decided, subject to the approval of the Supervisory Board and authorisation by the Federal Antitrust Office, to sell the U-plus group to the waste disposal company ALBA AG, Berlin. The U-plus group is therefore disclosed as a discontinued operation. The comparative figures were adjusted in the income statement.

The assets and liabilities disclosed net in the consolidated balance sheet break down as follows:

in € millions	3/31/2007	12/31/2006
Non-current assets held for sale	7.4	7.4
Assets of discontinued operations	216.3	31.1
	223.7	38.5
<hr/>		
Liabilities of discontinued operations	247.7	103.0
	247.7	103.0

The result of discontinued operations that is reported separately in the income statement breaks down as follows:

in € millions	1/1 – 3/31/2007	1/1 – 3/31/2006
Income statement of discontinued operations		
Revenue	58.2	49.7
Other income	0.6	10.5
Other expenses	-51.1	-49.1
Amortisation and depreciation	-3.5	-3.6
Financial result	1.2	-0.9
Gain or loss from measurement at fair value and from the disposal of assets	0.0	3.0
Earnings before tax	5.4	9.6
Income taxes	-0.9	-1.2
Earnings after taxes	4.5	8.4
Result of discontinued operations	4.5	8.4

Consolidation principles

The financial statements of the domestic and foreign subsidiaries and joint ventures included in consolidation were prepared in accordance with the accounting policies of EnBW.

Capital consolidation is performed according to the purchase method by offsetting the cost of acquisition against the proportionate revalued equity of the subsidiaries at the date of acquisition. Assets and liabilities are carried at fair value. Any remaining positive differences are recognised as goodwill. Negative differences are immediately recognised in profit or loss following a review of their calculation.

Receivables, liabilities and provisions between the consolidated entities are netted. Intercompany income is offset against the corresponding expenses. Intercompany profits are eliminated unless they are immaterial. Deferred taxes are recorded.

Joint ventures are consolidated according to the same principles as subsidiaries. The same accounting policies apply to entities accounted for using the equity method. Goodwill is recognised in the carrying amount of the investment. Impairment losses on goodwill are disclosed in the investment income. Negative differences are recognised in profit or loss via investment income.

Changes in the consolidated group

Full consolidation of Erdgas Südwest GmbH

To date, Erdgas Südwest GmbH has been included in the consolidated financial statements as proportionately consolidated entity (shareholding 51.0%). Effective February 20, 2007, EnBW purchased a further share of 28.0% in Erdgas Südwest GmbH. The purchase price for that share was € 56.5 million. This brought EnBW's stake up to 79.0%. Because of the control gained over the entity as a result, Erdgas Südwest GmbH was fully consolidated.

The transition to full consolidation is treated as a business combination achieved in stages. Step-by-step comparison of the cost of the individual share purchases with the interest in the fair value gave rise to goodwill of € 40.7 million for the 28.0% share newly consolidated in 2007.

The change in equity which is attributable to the former share of 51% totals € 3.0 million and has been recognised directly in equity.

Erdgas Südwest GmbH contributed € 4.7 million to earnings after tax.

The fair values of the identifiable assets and liabilities of Erdgas Südwest GmbH were as follows as of the date of acquisition:

in € millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.6	0.6
Property, plant and equipment	206.2	215.7
Other non-current assets	0.3	0.3
Current assets	173.9	173.9
Total assets	381.0	390.5
Non current liabilities	121.4	125.0
Current liabilities	209.0	209.0
Total liabilities	330.4	334.0
Net assets ¹	50.6	56.5
EnBW's interest in net assets 28.0%		15.8
Acquisition cost		56.5
Goodwill		40.7

¹ The calculation of the fair value of the assets and liabilities has not been finalised yet.
As a result, provisional values were recognised pursuant to IFRS 3.62.

Full consolidation of GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG

To date, GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG has been included in the consolidated financial statements as other investment (shareholding 23.5%). Effective March 1, 2007, EnBW acquired the remaining 76.5% stake in GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG. The purchase price for that share was € 30.5 million. This brought EnBW's stake up to 100%. Due to the control gained over the entity as a result, GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG was fully consolidated. The comparison of the cost of the shares with the fair value resulted in goodwill of € 1.4 million.

The effect of the first-time consolidation of GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG on the balance sheet and income statement of the group is not material.

Consolidated group

Under the full-consolidation method, all subsidiaries are included on whose financial and business policy control can be exercised as defined by the control concept. In this case, the assets and liabilities of a subsidiary are included in full in the consolidated financial statements.

The assets and liabilities of the subsidiary are only considered in the consolidated financial statements in proportion to the investment of the parent company.

Consolidation at equity is used when a significant influence is exercised on the business policy of the associate, but the criteria to qualify as a subsidiary or a joint venture are not in place. When measuring shares this means that only the pro rata equity of the subsidiary is included in the consolidated financial statements, and not its assets and liabilities.

Type of consolidation and number	3/31/2007	12/31/2006	3/31/2006
Full consolidation	105	100	101
Proportionate consolidation (joint ventures)	9	10	8
Consolidation at equity	21	21	20

Financial result

in € millions ¹	1/1 – 3/31/2007	1/1 – 3/31/2006
Investment income	45.2	47.3
of which entities accounted for using the equity method	(38.4)	(34.8)
Interest and similar income	58.4	52.6
Interest and similar expenses	-77.6	-74.0
of which finance cost	(-69.4)	(-67.8)
Interest portion of increases in provisions	-112.2	-110.3
Other finance revenue	17.1	44.5
Other finance cost	-9.2	-2.3
Net interest	-123.5	-89.5
Financial result	-78.3	-42.2

¹ The figures of the comparative period have been adjusted.

Contingent liabilities and financial commitments

Contingent liabilities and financial commitments decreased by € 167.3 million compared to December 31, 2006.

Notes to the cash flow statement

in € millions	1/1 – 3/31/2007	1/1 – 3/31/2006
Funds from operations (FFO)		
Funds from operations before taxes and financing	763.4	591.0
Income taxes paid	-220.1	1.5
Interest and dividends received	114.7	82.2
Interest paid	-201.8	-165.1
Funds from operations after taxes and financing	456.2	509.6

Related parties

Related parties include Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). The financial statements of EnBW AG are included in the consolidated financial statements of EDF on a proportionate basis.

The business transacted with EDF during the first quarter had the following impact on the consolidated financial statements of EnBW:

in € millions	1/1 – 3/31/2007	1/1 – 3/31/2006
Income statement		
Revenue	179.7	125.9
Cost of materials	155.3	120.5

in € millions	3/31/2007	12/31/2006
Balance sheet		
Receivables	41.8	116.0
Advance payments	39.1	34.4
Liabilities	28.1	72.0
Advances received	43.5	50.0

The revenue and cost of materials mainly result from electricity supply and electricity procurement agreements. All business relations with EDF are at arm's length.

Relationships also exist with municipal entities (public utilities in particular) accounted for using the equity method. The exchange of services and supplies with these organisations took place at arm's length.

The EnBW group has not entered into any significant transactions with related persons.

Dividends

On April 26, 2007, the annual general meeting of EnBW approved the proposal put forward by the Board of Management and Supervisory Board to pay a dividend of € 1.14 per share for the fiscal year 2006. This corresponds to a dividend payment of € 278.5 million.

Treasury shares

As of March 31, 2007, EnBW AG holds 5,749,677 treasury shares that are valued at € 35.79 in the separate financial statements of EnBW AG. They account for 2.3% of the capital stock.

Board of Management and Supervisory Board

Board of Management

Prof. Dr. Utz Claassen

Born 1963 in Hanover
Chairman of the Board of Management
Chief Executive Officer since May 1, 2003
from July 4, 2003 to December 31, 2004
also Chief Financial Officer
Appointed until April 30, 2008
Hanover/Stuttgart

Dr. Bernhard Beck, LL.M.

Born 1954 in Tuttlingen
Member of the Board of Management
Chief Human Resources and
Information Officer since October 1, 2002
Appointed until September 30, 2007
Leonberg

Dr. Christian Holzherr

Born 1963 in Tübingen
Member of the Board of Management
Chief Financial Officer
since January 1, 2005
Appointed until December 31, 2007
Stuttgart

Pierre Lederer

Born 1949 in Paris
Member of the Board of Management
Management board member responsible
for customers since June 1, 2000
Chief Operating Officer since May 1, 2003
Appointed until May 31, 2010
Karlsruhe

Dr. h.c. Detlef Schmidt

Born 1944 in Döbern
Member of the Board of Management
Chief Marketing and Sales Officer since
July 1, 2003
Appointed until June 30, 2008
Gifhorn/Karlsruhe

Prof. Dr.-Ing. Thomas Hartkopf

Born 1948 in Solingen
Member of the Board of Management
Chief Technical Officer
from November 1, 2002
to February 8, 2007
Leimen

As of March 31, 2007

Supervisory Board

Dr. Claus Dieter Hoffmann, Stuttgart
Managing partner
of H + H Senior Advisors GmbH
Chairman

Dietrich Herd, Philippsburg
Chairman of the central works council
of EnBW Kraftwerke AG
Deputy chairman

Joachim Bitterlich, Paris
Directeur des Affaires Internationales
at Veolia Environnement SA

Marc Boudier, Sèvres
Directeur Europe
at Electricité de France SA

Dr. Daniel Camus, Croissy-sur-Seine
Directeur Général Délégué Finances
at Electricité de France SA

Willi Fischer, Messstetten
District administrator
of the Zollernalb district

Rolf Gillé, Stuttgart
Chairman of the central works council
of U-plus Umweltservice AG

Josef Götz, Stuttgart
Chairman of the central works council
of EnBW Regional AG

Reiner Koch, Glienicke/Nordbahn
Responsible for supply and waste disposal
divisions at ver.di head office

Marianne Kugler-Wendt, Heilbronn
Regional director at ver.di,
Heilbronn-Neckar-Franconia district

Wolfgang Lang, Karlsruhe
Chairman of the central works council of
EnBW Systeme Infrastruktur Support GmbH

Gérard Roth, Bois d'Arcy
Directeur Allemagne
at Electricité de France SA

Gerhard Stratthaus MdL, Brühl
Finance Minister of the state
of Baden-Württemberg

Siegfried Tann, Friedrichshafen
District administrator of the
Lake Constance district

Christoph Walther, Langebrück
Deputy chairman of the works council
of ENSO Strom AG

Dietmar Weber, Esslingen
Chairman of the central works
council of EnBW Vertriebs- und
Servicegesellschaft mbH

Kurt Widmaier, Ravensburg
District administrator of the
Ravensburg district

Alfred Wohlfart, Ulm
Deputy district director at ver.di,
Baden-Württemberg district

Dr.-Ing. Gérard Wolf, Paris
Directeur Général Adjoint Filiales et
Développement à l'International at
Electricité de France SA

Dr. Bernd-Michael Zinow, Pfinztal
Responsible for regulation and compliance
at EnBW Energie Baden-Württemberg AG

As of March 31, 2007

Financial calendar

Contact

May 10, 2007

Publication of the
quarterly financial report
January to March 2007

August 8, 2007

Publication of the
half-year financial report
January to June 2007

November 9, 2007

Publication of the
quarterly financial report
January to September 2007

Shareholder Hotline/Investor Relations

Phone: 0800 1020030 or
0800 AKTIEENBW (only in Germany)
Fax: 0800 9999977 (only in Germany)
email: info@investor.enbw.com
Internet: www.enbw.com

Group publications

Upon request, we would be pleased to send you additional complimentary copies of this quarterly financial report and other group publications such as the annual report, innovation report and sustainability report. These reports are available in German and English; the annual report is also available in French. In case of doubt the German version shall prevail. Please place your orders with our Shareholder Hotline.

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Award of the innovation prize 2006

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Realschule, Klaus Demal, Lord Mayor of
Stutensee, Prof. Dr. Utz Claassen, CEO of
EnBW, Heribert Rech, Minister of the Interior
for Baden-Württemberg, and Monika
Wallenwein, headmistress of the Thomas-
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Dr. Bernhard Beck, member of the Board of
Management and Chief Human Resources
Officer of EnBW, Wolfgang Schuster, Lord
Mayor of the city of Stuttgart, Günther H.
Oettinger, Prime Minister of Baden-Würt-
temberg, Lars Klatte, architect, and Prof.
Dr. Utz Claassen, CEO of EnBW

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Trade Fair : Sepp D. Heckmann, chairman
of the management board of Deutsche
Messe AG, Prof. Dr. Utz Claassen, CEO
of EnBW, German Chancellor Dr. Angela
Merkel, Prime Minister of Turkey Recep
Tayyip Erdoğan, and Christian Wulff,
Prime Minister of Lower Saxony

**EnBW Energie
Baden-Württemberg AG**

Durlacher Allee 93
76131 Karlsruhe
www.enbw.com